

Testimony of Jay Billie, Owner of Inn at Westwood Farm in Orange, VA

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The regulatory and tax related issues before this work-study group have less to do with just short term lodging and more to do with the sharing economy. How to regulate (or not regulate) should serve as the blue print for the sharing economy as a whole. The emerging economy trend will not stop at car taxi services or short term rentals but will evolve to include other services that will butt up against other established businesses in the very near future.

What are we going to do with sites like TaskRabbit, Care.com and Upwork that have taken the freelance market to a new level? Upwork specializes in helping more traditional freelancers (writers, graphic designers, coders, etc.) connect with business owners looking to hire; while TaskRabbit does the same for services like handymen, dog walkers, personal assistants, and so on. Care.com specializes in caregivers for both children and the elderly.

What are we going to do with companies providing coworking spaces in big cities around the world like WeWork.com? Freelancers, entrepreneurs, and telecommuters can rent a desk or an office without the overhead and cost of renting an entire building or suite.

We know about Uber but what are you going to do with services like Getaround that enables individuals to share their cars with neighbors? And what about drivers who offer wine tours while limo drivers need licenses?

What are you going to do with Lending Club and sites that allow people to lend one another money, with much lower interest rates and fees than traditional credit cards or bank loans?

What are you going to do with Neighborgoods and similar sites allow people to borrow resources — like power tools, woodworking equipment and kitchen appliances — directly from their neighbors.

How are you going to handle GoShare which moves cargo, such as furniture, which cannot easily be relocated from point A to B. Got a truck and some spare time, then you are making money.

And what are you going to do with in home dining sites like Feastly.com where anybody who cooks and their kitchens go without any vetting process whatsoever.

Not all these services are available here yet, but they will arrive. Can you imagine going through this entire process again with the restaurant industry, the banking industry, the trucking industry, the commercial lending industry, the employment agency industry and so forth and so on? It's imperative to look at the entire picture and have a clear and consistent strategy across all industries.

The growth of the short term rental market is remarkable. When this legislation was introduced in January, there were 4,500 units available in Virginia per Airdna, a website that tracks Airbnb. As of yesterday, there are now 8,500 units listed on Airbnb in Virginia. That is a 90% growth rate in just 10 months. If those 8,500 units operate at a low 20% occupancy rate or 73 nights a year and the average cost of a room across the state is \$100, then \$62,000,000 is being made by the hosts. No sales tax, transient occupancy tax and in most cases, income taxes are being paid. And it is growing at an astronomical rate!

These unregulated hosts can talk until they are blue in the face about their property rights, but when they are not paying all their taxes and legal regulated businesses offering the same exact service are, it's an injustice that must be addressed quickly.

In our home county of Orange alone there are 180 rooms available among the 12 legal and registered hotels, bed and breakfasts and inns. In the same county, there are over 100 rooms in 50 facilities advertised on AirBnB with a new listing ever month as of January 2015. And it is still growing. Not only is it eroding the business of the existing establishments, some of the Airbnb properties are branching out hosting weddings and other special events.

The other point that needs to be emphasized is that Airbnb hosts are true entrepreneurs in this economy and have allegiance to Airbnb not just because it just generates bookings, but their website protects them from regulators and tax collectors which allows them to operate with less overhead and oversight than a regular business. It would be foolish to think that if Airbnb started to collect taxes, these entrepreneurial hosts would just go along with it. A good portion of these hosts will be moving to another website that is not registered with the Commonwealth. After all, there 30 to 40 other websites offering the same service as AirBnB and in this scenario, the state would be playing “whack a mole” trying to collect the taxes from all the other websites.

The answer is to have the local jurisdictions handle this growing economy by regulating, inspecting and taxing each facility that offers accommodations for compensation. The elephant in the room is, of course, enforcement. Give the local jurisdictions the ability to fine unregistered businesses with financial penalties. If Airbnb truly would like to help, they can notify the hosts to come forward and register within a certain grace period. Afterwards, if the facility is not registered, penalties and fines will apply. This has worked well in some foreign cities like Berlin and Madrid.

Also, the state should do everything it can to simplify the process of opening a business with a new online portal specifically for sharing economy workers. These people want to earn money but are confused by the process. Having gone through it myself, it's not that complicated but it does need to be streamlined. The IRS has recently started a new webpage to provide information for those working in the sharing economy to ensure they do not run into Tax problems. Virginia should also be out in front of this.

The result will be new business startups will increase, the hosts will run their enterprise like a business, a sharing economy strategy that applies to all industries will be adopted, all the taxes will be paid, the state coffers will increase, the guests will be able to enjoy their stay in a safe environment, local jurisdictions will maintain control over their neighborhoods and a level playing field will be maintained.